



Arizona Health Care Cost Containment System

Quarterly Report

January 1, 2001 - March 31, 2001

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Executive Summary

This Quarterly Report covers the period from January 1, 2001 through March 31, 2001. This quarter's activities centered around the planning and implementation of the state's Proposition 204 and the federal waiver increasing the Medicaid Federal Poverty Level (FPL) to 100%.

HCFA's approval of the Arizona waiver to increase the income limit for AHCCCS members to 100% of FPL will allow Arizona to use federal dollars to expand health coverage to many of those individuals not traditionally covered by Medicaid. Communicating changes during the implementation of Proposition 204 and the federal waiver has been a high priority for AHCCCS and is highlighted in this report.

Contracts were awarded for new services during this quarter. A Third Party Administrator was selected to coordinate the reimbursement to school districts for covered services provided to Medicaid-eligible students in schools' special education classes. Seven contracts were awarded to community based organizations to conduct outreach services to assist families in applying for AHCCCS health care benefits.

In March 2000, AHCCCS entered into a settlement agreement, along with its co-defendant, the Arizona Department of Health Services/Division of Behavioral Health Services, in a 10 year old class action lawsuit. As a result of this settlement, Behavioral Health Services will operate their system in accordance to principles that are strength-based and child and family centered.

AHCCCS Population

On April 1, 2001, the AHCCCS Title XIX population totaled 517,188 individuals. This included 485,844 individuals receiving acute care services and 31,304 members receiving ALTCS services.

In the past quarter, AHCCCS has seen a growth in the Title XIX program of 8,914. The largest increase, 3,191, has been in the 1931 category. It is interesting to note that since January 1, 2000, the 1931 population has increased 40,145 (43%) – from 92,850 to 132,995.

New Developments

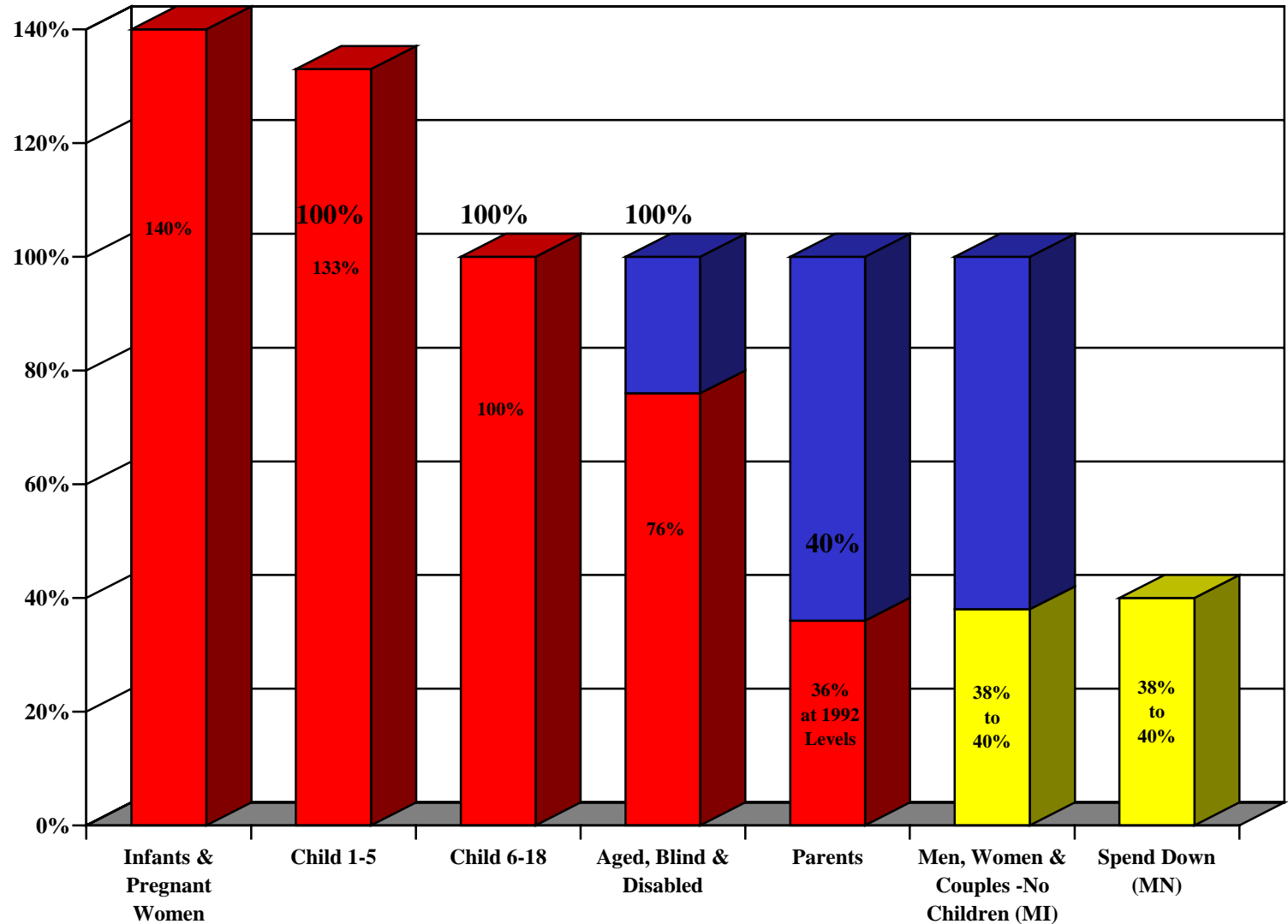


AHCCCS Receives Waiver Approval to Claim Federal Dollars

On January 18, 2001, the Health Care Financing Administration granted Arizona a waiver to use dollars from the tobacco master settlement agreement and federal matching dollars to expand health coverage to those Arizonans not traditionally covered by Medicaid and to increase the income limits. The waiver will be effective April 1, 2001.

Income limits will be raised as shown in the following graph:

Proposition 204 - Changes in FPL Standards



- Current FPL Standard for Medicaid
- New FPL Standard
- Current FPL for Medically Indigent/Medically Needy

Population estimates by year 2005 are:

- Between 137,000 and 185,000 new eligibles
- 68,000 to 87,000 will be parents of enrolled children
- 68,00 will be individuals who are aged, blind or disabled
- 45,000 to 71,000 will be men, women or couples without children



Conversion of QMBs-Eligible

In November 2000, Arizona voters approved Proposition 204, a measure to increase the income limit for AHCCCS to 100% of the Federal Poverty Level (FPL). Many different groups of Arizonans will qualify for AHCCCS coverage under Prop 204: Parents of children under age 19, individuals who are aged, blind, disabled, single, and married without children. A decision was made to phase-in the program expansion due to the expected population increase. The first category to expand was the Aged, Blind and Disabled program (SSI-MAO). AHCCCS eligibility interviewers determine QMB eligibility in Arizona, making the job of converting the QMB-eligible members to full services much easier.

To prepare for the “QMB Conversion,” letters were mailed to most QMB-only members to explain the expansion and offered a toll-free number to receive assistance with any remaining questions. A subsequent letter explained the member’s Health Plan choices and listed the toll-free number to record their choice. During the period between the initial mailing and the conversion, most QMB-only approvals were provided identical information. (Some QMB-only members with earned income do not qualify for the expansion.)

534 QMB-eligible members “opted out” of the expansion (i.e., chose to remain QMB-only). Reasons given for opting out included scheduled procedures, non-contracting Primary Care Physicians and current enrollment in a Medicare-Risk plan.

Effective April 1, 2001 7,401 QMB-eligible members were converted to Acute/QMB duals. Considering the complexity of implementing the expansion, the process went smoothly.

Updates

Proposition 204 – Communications Update

Communicating changes during the Proposition 204 implementation period is a high priority for AHCCCS. To that end, a detailed communication plan has been developed to reach the major audiences likely to need information about the AHCCCS expansion under Proposition 204.

- Over 50 presentations conducted statewide to various community, advocacy groups and tribes.
- Presentation made to State Medicaid Advisory Committee
- Presentations made to Arizona Department of Economic Security and Arizona Department of Health Services divisions
- Presentations made to Arizona Congressional Delegation and their staff

- Presentations made to Arizona Legislature and staff
- Statewide Community Forums planned for July through August
- Training conducted for AHCCCS staff
- Presentation conducted for CEO's of AHCCCS contracted health plans
- Presentation conducted for health plan fraud and abuse employees
- Training provided to seven Community Based Organizations that AHCCCS has contracted with to conduct outreach and provide application assistance. Community Based Organizations to pilot the utilization of the AHCCCS Universal Application.
- Training provided to advocacy groups that serve the aged, blind and disabled population – Area Agency on Aging, AARP, SHIP volunteers, PCOA, DES, HOP Elderly Program, NAA, VICAP, IHS
- Articles regarding Proposition 204 placed in the following publications produced by AHCCCS: *Claims Clues* (directed to health plans and various providers); *AHCCCS Road* (directed to tribes); *Advisor* (directed to AHCCCS employees; and *AHCCCS Today* (directed to community organizations); *AHCCCS Hoy* (Spanish version of *AHCCCS Today*)

Medicaid in the Public Schools

Medicaid in the Public Schools, dubbed MIPS, has been initiated by the AHCCCS Administration to reimburse school districts for services provided to Medicaid-eligible students in special education classes. The AHCCCS Administration has contracted with Arizona Physicians IPA to handle the school districts claims. Public schools, charter schools not associated with a school district and the Arizona School for the Deaf and Blind are eligible for MIPS. More than 110 school districts, charter schools and the Arizona School for the Deaf and Blind have attended the MIPS training as of this date.

Medicaid Outreach Awareness Contracts

In October 2000, in an effort to partner with community based organizations (CBO) to conduct outreach services to assist families in applying for AHCCCS and KidsCare health care benefits, AHCCCS issues a Request For Proposals (RFP). The purpose of the RFP was to provide funding for CBOs throughout Arizona to identify families and children who would qualify for the AHCCCS Medicaid program and for the KidsCare program. Seven contracts were awarded after AHCCCS reviewed submitted proposals from 19 community based entities.

CBOs will focus on assisting families with the eligibility process by helping families with their initial application and benefits renewal process. The CBOs will coordinate their efforts with AHCCCS outreach employees and AHCCCS marketing contractor, Genesis Group/Hill and Knowlton.

AHCCCS Customer Eligibility (ACE) System

The design document has been completed and the build phase is underway. During this past quarter the technical architecture for the project was finalized, and the technical team was trained in the development tools. Progress is somewhat slower than anticipated due the learning curve

for the new environment, but it is expected to improve over the next few months as the team puts theory into practice. Also in this quarter, the conversion requirements have been identified and documented, and the mapping document was initiated.

Once the system is developed it will be implemented in one office as a six-month pilot, and then rolled out office by office over the next year. The pilot is expected to be operational by October 2002, and the final implementation in March 2004

MEQC Monitoring and Error Analysis

Two state agencies; the AHCCCS Administration and the Department of Economic Security maintain the Medical Assistance Only (MAO) cases. Findings from the QC reviews completed by both agencies are combined for the review period reports. MEQC is in its sixth year of a HCFA pilot project (QuaC(k)ERS) which has primarily targeted the Long Term Care program. AHCCCS continues to conduct QC reviews on QMB, SLMB, and SSI-MAO categories and state-only programs in addition to the targeted programs.

During the next quarter, this department will continue drafting a new QC pilot proposal which, in addition to LTC, will focus on some of the new programs which will be created due to the passage of Proposition 204.

Review period 4/2000 – 9/2000 case error rates for the LTC sample have been established at 2.54% which is the lowest error rate for this program since the 1995 April –September 1995 review period. The nine LTC corrective action teams statewide will be meeting within the next two months to begin working on new corrective action plans for this review period. In addition the state team will begin work on their annual report this quarter.

Hawaii/Arizona PMMIS Alliance (HAPA) Project

The HAPA PMMIS is in production operation, and performing well. No significant problems have been encountered. The special development team has been re-assigned into the applications teams supporting PMMIS, with the teams supporting both Arizona and Hawaii systems.

Requests for changes to the HAPA PMMIS are reviewed and prioritized by the user groups and then by the Information Systems Review Committee (ISRC). The ISRC assigns the requests to a specific PMMIS release based on effort and the availability of staff; the releases are scheduled quarterly.

The development of the HAPA HEDIS reporting is underway, and HAPA Claims is expected to begin in July 2001.

Health Insurance Portability Accountability Act (HIPAA)

During the past quarter, the project team interviewed all the business areas in both Arizona and Hawaii and performed preliminary analysis of the business functions. A draft report was

distributed to key staff for review and comment to ensure the functions were accurately reported. A more detailed analysis will follow which will decipher the gaps with the HIPAA requirements.

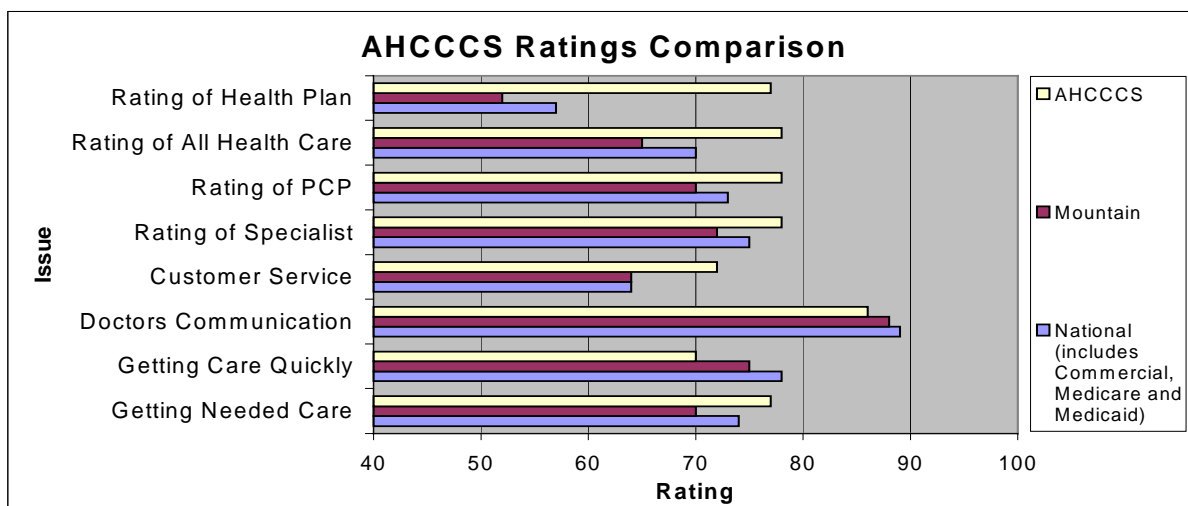
Fox Systems demonstrated a new ‘gap’ analysis tool they have developed which they will be using to determine the gaps for Arizona and Hawaii. The tool allows for pre-defined and on-request queries, and drill down into the details. The Gap Analysis recommendations are targeted for June 2001.

Acute Care Program

Member Survey

AHCCCS conducted the 2000 Member Satisfaction Survey to evaluate and improve the health care delivered through its contracted health plans. AHCCCS used the Consumer Assessment of Health Plan Survey (CAHPS) instrument and methodology for this survey, so that results could be compared to national averages to better determine areas of excellence and those requiring improvement. Although CAHPS is largely a standardized survey, there was some customization that enabled it to cover areas of interest to AHCCCS and its constituents. However, it focused primarily on member satisfaction with: health plans; personal doctor or nurse; specialists; health care received; and dental care received. Overall, the results were positive.

- Respondents rated their health plan substantially higher than the national average.
- Respondents rated the health care they received considerably higher than the national average.
- More than three-fourths of the respondents reported it was “not a problem” to find a personal doctor or nurse that they were happy with.
- More than 85% of the respondents reported that their doctor understood how any of their health problems affected them.
- 81% of the respondents reported that they “usually” or “always” got an appointment within their desired timeframe.



Phoenix Health Plan Files Bankruptcy

On February 1, 2001, Phoenix Health Plan's parent company, Phoenix Memorial Health Systems, filed Chapter 11 bankruptcy. As part of the "363 sale" Vanguard Health Systems will purchase the parent company, and Phoenix Health Plan, through the bankruptcy. AHCCCSA staff has worked with Vanguard and Phoenix Memorial Health Systems in approving the sale prior to the filing.

Health Plan Contract Termination Prompts Enrollment Cap

Arizona Health Concepts cancelled its acute care contract with AHCCCS effective March 1, 2001. The Health Plan served acute care members in La Paz and Mohave Counties. Family Health Plan of Northeastern Arizona (NEAZ) assumed responsibility for members assigned to Arizona Health Concepts on March 1st. Health Plan members were offered the opportunity to change health plans during a special Open Enrollment period held during the month of February. Members who did not make a choice were enrolled in NEAZ effective March 1, 2001. Arizona Physicians, I.P.A. is the other acute care contractor that currently provides services to members located in La Paz and Mohave Counties.

ALTCS Program

ALTCS Competitive Bid (Excluding Maricopa County)

The ALTCS Elderly and Physically Disabled Request for Proposal (RFP) to competitively contract the remaining parts of the state was released on February 2, 2001. Maricopa County was competitively bid last year. One contract will be awarded for each of the geographic service areas (GSA) (made up of one or more counties). The one exception is the GSA made up of Pima (Tucson area) and Santa Cruz County. The Administration may award up to two contracts in the Pima County portion of this GSA. One contract will be awarded to one of the two Pima contract awardees in Santa Cruz.

The Administration held an Offeror conference on February 20 to review the RFP and answer questions. Awards are expected to be made May 2001. Contracts would begin October 1, 2001.

ALTCS Operational and Financial Reviews

During this quarter AHCCCS began CYE 2001 Operational and Financial Reviews of the three EPD Program Contractors in Maricopa County. These reviews, conducted by the Office of Managed Care and the Office of Medical Management, are limited reviews, focusing on new contractual requirements and areas that AHCCCS has deemed to be high priority, such as member rights. Maricopa County Long Term Care Plan was reviewed in February, and Mercy Care Plan was reviewed in March. Since Mercy Care Plan is a new ALTCS Program Contractor (effective 10/1/2000) AHCCCS staff spent a considerable amount of time providing technical

assistance to their staff during the review. Both program contractors demonstrated a high level of compliance during the reviews.

As outlined in last quarter's report, AHCCCS issued a Notice to Cure to the Department of Economic Security, Division of Developmental Disabilities (DES/DDD) due to repeated deficiencies in the areas of Quality Management and Behavioral Health. DES/DDD has responded to this Notice by hiring two consultants and by adding executive level Quality Management positions. Also, during this quarter AHCCCS and DES/DDD began to hold weekly meetings to review progress on a timeline developed by both agencies that will bring DES/DDD back into compliance. The workgroup is also discussing other issues related to the Notice, such as procurement processes, high acuity behavioral health clients, and cost effectiveness.

Behavioral Health

JK Lawsuit Settlement Reached

On March 20, 2001, AHCCCS entered into a settlement agreement, along with its co-defendant, the Arizona Department of Health Services/Division of Behavioral Health Services (ADHS/DBHS), in the 10 year old class action lawsuit brought by the Arizona Center for Disability Law on behalf of Medicaid children in need of behavioral health services. As part of the negotiated agreement, the state agencies responsible for the behavioral health system of care agree to operate the system according to a set of principles that are strengths-based and child and family centered.

To assist with this culture change, ADHS/DBHS has contracted with a nationally recognized expert to provide training in the areas of family-centered practice and wrap-around philosophy. AHCCCS participated in the development of the RFP, and the bid review and selection process. Other features of the settlement agreement include the expansion of service availability and specialty providers; the use of "flex funds" by ADHS/DBHS to pay for non-Medicaid services which aid in family stability and preservation; and a "300 Kids" project which will function as the primary training area for practice improvement.

The term of the agreement is until 2007, with annual plans required to phase in achievement of all aspects of the required activities.

Training and Technical Assistance for ADHS/DBHS

Following significant changes in ADHS/DBHS management team and organizational structure, the Deputy Director of DBHS requested a series of trainings to be provided to key DBHS staff. In February, AHCCCS presented an overview of Medicaid, history of the AHCCCS program, information on the 1115 waiver, the state plan, funding, contracting, and demographics of populations served. In March, AHCCCS presented an overview of the Quality Improvement System for Managed Care (QISMC) and its application in the Medicaid agency and to AHCCCS contractors. Additional topics have been scheduled for the next quarter.

Operational and Financial Review of ADHS

In January, AHCCCS conducted the second phase of a two-part Operational and Financial Review (OFR) of ADHS/DBHS. This portion of the review focused on the areas of clinical, quality and utilization management, grievance and appeals, provider networks, member services, and administrative functions relevant to each area of review. The final report summarizing both the October and January reviews will be forwarded to HCFA upon completion.

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